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# Message Text

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ACTION IO-10

INFO OCT-01 EUR-12 ISO-00 AF-04 ARA-06 EA-06 NEA-06 RSC-01

L-02 FRB-01 OMB-01 TAR-01 SP-02 SWF-01 AGR-05 AID-05

CIAE-00 COME-00 EB-04 INR-05 LAB-01 NSAE-00 OIC-02

SIL-01 STR-01 TRSE-00 CIEP-01 CEA-01 INT-05 SS-15

NSC-05 XMB-02 /107 W
---------- 024199
R 071558Z NOV 74
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 4122
INFO USMISSION USUN NEW YORK
USMISSION OECD PARIS

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E.O. 11652: N/A
TAGS: OCON UNIDO EAID
SUBJECT: PREPARATIONS FOR THE SECOND UNIDO CONFERENCE

1. SUMMARY. DEPARTMENT'S ATTENTION CALLED TO SECRETARIAT DOCUMENT ISSUED FOR PC-V ENTITLED QUOTE PRELIMINARY NOTE ON THE PREPARATION OF A PROGRAM OF ACTION ON INDUSTRIALIZATION UNQUOTE. THIS PAPER IS ONE OF THE MOST IMPORTANT DOCUMENTS ISSUED TO DATE IN PREPARATION FOR UNIDO-II AND CAN BE EXPECTED TO ATTRACT CONSIDERABLE ATTENTION DURING DISCUSSIONS PRECEDING LIMA MEETING. WOULD BE USEFUL TO HAVE WASHINGTON REACTIONS TO IDEAS ADVANCED THEREIN AS SOON AS POSSIBLE. END SUMMARY.

2. SUBJECT PAPER OF WHICH ID/B/L.167 ISSUED DURING IDB-VIII IS AN ANCESTOR IS THE MOST IMPORTANT EXPOSITION TO DATE OF SECRETARIAT THINKING CONCERNING THE POSSIBLE CONTENT OF THE PLAN OF ACTION TO BE PRODUCED
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AT LIMA. IT IS WIDE RANGING AND INCLUDES A LONG LIST

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OF DIVERSE SUGGESTIONS CONCERNING INDUSTRIAL DEVELOP-
MENT TARGETS AND OBJECTIVES, ACTION BY DEVELOPING AND
DEVELOPED COUNTRIES, JOINT ACTION BY THE LATTER AND
ACTION BY INDIVIDUAL LDC'S. WHILE MANY OF THE SPECIFIC
SUGGESTIONS, SUCH AS THE PROPOSED RESTATEMENT OF THE
PRINCIPLE THAT PRIMARY RESPONSIBILITY FOR ECONOMIC
DEVELOPMENT RESTS ON THE COUNTRIES CONCERNED AND OF
THE IMPORTANCE OF LDC REGIONAL COOPERATION SHOULD GIVE
US NO PROBLEM, OTHER SUGGESTIONS RAISE DIFFICULT ISSUES.

3. THE PAPER FOCUSES BASICALLY ON THE PROPOSITION THAT
THE SIXTH SPECIAL GA HAS ESTABLISHED AS THE ESSENTIAL
CONCOMITANT OF THE NEW INTERNATIONAL ECONOMIC ORDER IN
THE INDUSTRIAL FIELD A SUBSTANTIAL INCREASE IN THE LDC
SHARE OF WORLD INDUSTRIAL PRODUCTION AND THAT THE LIMA
PLAN OF ACTION SHOULD SPELL OUT THE WAYS IN WHICH THIS
"NEW INDUSTRIAL MAP OF THE WORLD" IS TO BE ACHIEVED.
THE SECRETARIAT ARGUES THAT, THE SIXTH SPECIAL GA
HAVING DEMONSTRATED THE POLITICAL WILL OF THE
INTERNATIONAL COMMUNITY TO ESTABLISH THE NEW ECONOMIC
ORDER, AN AGREED REDISTRIBUTION OF GLOBAL INDUSTRIAL
PRODUCTION EMBODIED IN QUANTIFIED TARGETS
COULD BE A POSITIVE STIMULUS TO ACTION AND COOPERATION.
IT IS PROPOSED THAT THE TARGET SHOULD BE AN INCREASE
IN LDC SHARE OF WORLD INDUSTRIAL PRODUCTION BY 2000 TO
20 PERCENT FROM TODAY'S 7 PERCENT. HOWEVER,
IN THE SECRETARIAT'S VIEW, SUCH SHIFT CANNOT
BE ACHIEVED WITH A CONTINUATION OF THE PRESENT SYSTEM
OF ECONOMIC RELATIONS BETWEEN DEVELOPED AND DEVELOPING
COUNTRIES. IN ANY CASE THE INTERNATIONAL DEVELOP-
MENT STRATEGY FOR DD-II HAS BEEN SUPERSEDED BY THE NEW
APPROACH OF THE SIXTH SPECIAL GA. THE NEW STRUCTURE OF
INDUSTRIAL PRODUCTION CANNOT BE ACHIEVED BY RELYING
PRIMARILY ON MARKET FORCES. RATHER, IT WILL REQUIRE A
CONTINUING AND EXTENSIVE PROCESS OF INTERNATIONAL CON-
SULTATION AMONG POLICY-MAKERS AND A "PERMANENT SYSTEM
OF MONITORING AND IMPLEMENTATION." FOR EXAMPLE, MORE
IMPORTANT THAN TRADE LIBERALIZATION WITHIN WHICH MARKET
DECISIONS WOULD BE MADE WOULD BE "DIRECT ACTION" AIMED AT
HARMONIZING THE INDUSTRIAL PRIORITIES OF THE DEVELOPING
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AND DEVELOPED COUNTRIES WITHIN AN AGREED AND MUTUALLY
CONSISTENT FRAMEWORK.

4. AN ELABORATE ORGANIZATIONAL STRUCTURE IS SUGGESTED
TO PROVIDE THE FRAMEWORK FOR THIS PROCESS, INCLUDING

(A) A INTERGOVERNMENTAL PERMANENT COMMITTEE ON INDUS-
TRIALIZATION AT THE POLITICAL LEVEL TO DEAL WITH

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ECONOMIC, FINANCIAL, SOCIAL, INSTITUTIONAL AND LEGAL MATTERS RELATED TO THE ACHIEVEMENT OF THE TARGETS TO BE ESTABLISHED; (B) PERMANENT OR AD HOC SUBCOMMITTEES TO PREPARE THE WORK OF THE PERMANENT COMMITTEE; (C) COMMITTEES FOR INDUSTRIALIZATION AT THE REGIONAL LEVEL; (D) SECTORAL COMMITTEES FOR CONSULTATIONS VARIOUS BRANCHES OF INDUSTRY, WITH SIMILAR CONSULTATIONS POSSIBLY CONDUCTED ALSO AT THE REGIONAL LEVEL.

5. AT THE SAME TIME THE SECRETARIAT RECOGNIZES (PARA 49) THAT SPECIFIC DECISIONS ON LOCATION OF INDUSTRY WILL IN MAY CASES CONTINUE TO BE MADE OUTSIDE OF GOVERNMENT AND AT THE ENTERPRISE LEVEL AND SUGGESTS THAT THE SYSTEM OF INTERNATIONAL CONSULTATIONS COULD BE AN IMPORTANT INSTRUMENT IN GENERATING GREATER AEARENESS OF OPPORTUNITIES TO ESTABLISH NEW INDUSTRIES IN DEVELOPING COUNTRIES. IN ADDITION TO INFLUENCING THE LONG-TERM STRATEGY OF INDUSTRIAL ENTERPRISES, THE SECRETARIAT SUGGESTS WUCH SYSTEM COULD GIVE MANAGEMENT GREATER CONFIDENCE IN CHOOSING LOCATIONS IN DEVELOPING COUNTRIES.

6. IN ADDITION TO ITS SPECIFIC FOCUS ON INCREASING THE SHARE OF LDC'S IN GLOBAL INDUSTRIAL OUTPUT, THE PAPER SUGGESTS THAT THE PLAN OF ACTION MIGHT INCLUDE PROPOSALS FOR ACTION IN SUCH BROAD FIELDS AS (A) RAW MATERIALS, FOOD AND INDUSTRY; (B) TRADE IN MANUFACTURES; (C) FINANCING OF INDUSTRIAL DEVELOPMENT; (D) INDUSTRIAL TECHNOLOGY; (E) ACTIVITIES OF TRANSNATIONAL CORPORATIONS IN THE INDUSTRIAL FIELD.

7. AS REGARDS THE ROLE OF UNIDO TO BE INCORPORATED INTO THE PLAN OF ACTION, IT WOULD BE ASSIGNED THE TASK
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ACTION IO-10

INFO OCT-01 EUR-12 ISO-00 AF-04 ARA-06 EA-06 NEA-06 RSC-01

L-02 FRB-01 OMB-01 TAR-01 SP-02 SWF-01 AGR-05 AID-05

CIAE-00 COME-00 EB-04 INR-05 LAB-01 NSAE-00 OIC-02

SIL-01 STR-01 TRSE-00 CIEP-01 CEA-01 INT-05 SS-15

NSC-05 XMB-02 /107 W
---------- 024041
R 071558Z NOV 74
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 4123
INFO USMISSION USUN NEW YORK
USMISSION OECD PARIS

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OF ORGANIZING AND SUPPORTING THE SYSTEM OF CONSULTATIONS, INCLUDING THE PREPARATION OF STUDIES AND PROJECTIONS. IT WOULD ALSO ASSIST THE "WEAKER PARTNERS" TO TAKE THE FULLEST POSSIBLE ADVANTAGE OF THE CONSULT-ATION PROCESS. IN ADDITION, EXISTING OPERATIONAL ACTIVITIES OF UNIDO WOULD BE EXPECTED TO EXPAND. ACCORDING TO THE PAPER, RESOLUTION 2152 WOULD HAVE TO BE REWRITTEN TO REFLECT UNIDO'S NEW RESPONSIBILITIES, ESTABLISH NEW PRIORITIES AND PROVIDE UNIDO WITH THE "FLEXIBILITY" NEEDED TO IMPLEMENT THEM.

8. THE EXTEND OF INTERGOVERNMENTAL INTERVENTION IN THE PROCESS OF GLOBAL INDUSTRIAL DEVELOPMENT AND THE QUESTION OF THE SCOPE AND SPECIFICS OF MULTILATERAL CONSULTATIONS TO BE PROVIDED FOR BY THE PLAN OF ACTION ARE LIKELY TO BE IMPORTANT AND DIFFICULT ASPECTS OF DISCUSSION GENERATED BY THE SECRETARIAT PAPER. IN LIGHT OF THE THINKING REFLECTED IN PARA 4 STATE 228788 WE ASSUME WE WOULD WISH TO DOWNPLAY MULTILATERAL GOVERNMENTAL INVOVLE-MENT IN SPECIFIC DECISION-MAKING CONCERNING LOCATION, DEVELOP-MENT OF INDIVIDUAL INDUSTRIAL ENTERPRISES, ETC. WE ALSO ASSUME
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WE WOULD NOT BE ENTHUSIASTIC ABOUT THE ESTABLISHMENT OF TARGETS FOR SHARES OF GLOBAL INDUSTRIAL PRODUCTION; THAT WE WOULD NOT WISH TO CREATE THE ELABORATE MACHINERY PROPOSED IN PARAS 41-45 AND THAT, IN PARTICULAR, WE WOULD WISH TO AVOID ESTABLISHMENT OF THE POLITICAL-LEVEL PERMANENT COMMITTEE ON INDUSTRIALIZATION WITH THE BROAD MANDATE INDICATED IN PARA 4 ABOVE. HOWEVER, WE FEEL WE SHOULD SYMPATHICALLY EXAMINE THE POSSIBILITY OF ENGAGING IN SECTORAL MULTILATERAL CONSULTATIONS AMONG INTERESTED COUNTRIES

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FOR PURPOSES SET FORTH IN PARA 46 OF THE SECRETARIAT PAPER, I.E.,
TO DEVELOP INFORMATION, PROJECTIONS AND ANALYSES AND SUGGESTIONS FOR
NATIOAL AND INTERNATIONAL ACTION IN THE SECTOR CONCERNED. FOR
THIS PURPOSE,WE MIGHT EXPLORE THE POSSIBILITIES OF DEVELOPING AND
REFINING THE SECTORAL SEMINARS AND SYMPOSIA (E.G. FERTILIZER
PRODUCTION, IRON AND STEEL, WHICH UNIDO ALREADY ORGANIZES AS
PART OF ITS PROGRAM OF MEETINGS, SUCH AS BY PROVIDING FOR
APPROPRIATE PARTICIPATION BY GOVERNMENTAL OFFICIALS. STIBRAVY

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